



February 20, 2009

SENATE BILL No. 470

DIGEST OF SB 470 (Updated February 18, 2009 10:22 am - DI 58)

Citations Affected: IC 4-10; IC 6-3.

Synopsis: Automatic taxpayer refund. Provides for the return of a part of the state's year-end general fund surplus to Indiana residents in the form of a refundable adjusted gross income tax credit based on income taxes paid for the previous taxable year. Establishes the income tax reduction reserve and procedures to implement the credit program. Provides that the governor may issue an executive order to specify that the tax credit should not be granted. Makes an appropriation.

Effective: July 1, 2009.

Hershman, Charbonneau, Kruse

January 14, 2009, read first time and referred to Committee on Tax and Fiscal Policy.
February 19, 2009, amended, reported favorably — Do Pass.

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SB 470—LS 7488/DI 51+



February 20, 2009

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 470

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-10-22 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2009]:

4 **Chapter 22. Income Tax Reduction Reserve Fund**

5 **Sec. 1. As used in this chapter, "budget bill" refers to a budget**
6 **bill (as defined in IC 4-12-1-2) that is enacted in an odd-numbered**
7 **year.**

8 **Sec. 2. As used in this chapter, "fund" refers to the income tax**
9 **reduction reserve fund established by section 8 of this chapter.**

10 **Sec. 3. As used in this chapter, "state general fund**
11 **appropriations" refers to the sum of the specific amounts**
12 **appropriated by a budget bill from the state general fund for**
13 **expenditure in a particular state fiscal year, excluding transfers to**
14 **the income tax reduction reserve fund. The term includes any**
15 **amount appropriated in a budget bill for a period exceeding one (1)**
16 **state fiscal year that is allocated by the budget agency to a**
17 **particular state fiscal year in a list of appropriations prepared**

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under IC 4-12-1-12.

Sec. 4. As used in this chapter, "state general fund" refers to the state general fund, excluding any dedicated account within the state general fund and excluding the Medicaid contingency and reserve account of the state general fund (IC 4-12-1-15.5).

Sec. 5. As used in this chapter, "resident" refers to an individual who resides in Indiana on January 1 of the calendar year in which the individual's taxable year commences.

Sec. 6. As used in this chapter, "state fiscal year" means a period beginning July 1 in one (1) calendar year and ending on June 30 in the immediately succeeding calendar year.

Sec. 7. As used in this chapter, "taxable year" has the meaning set forth in IC 6-3-1-16.

Sec. 8. (a) An income tax reduction reserve fund is established. The fund is established to:

(1) replace revenue lost from granting credits under IC 6-3-3-13; and

(2) pay or reimburse other funds for refunds paid under IC 6-3-3-13.

(b) The budget agency shall administer the fund.

(c) The fund consists of money transferred to the fund under section 9 of this chapter.

(d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested.

(e) The money in the fund at the end of a state fiscal year does not revert to the state general fund but remains in the fund to be used exclusively for the purposes of the fund.

Sec. 9. Unless the governor issues an executive order specifying that a tax credit should not be granted under IC 6-3-3-13, not later than thirty-one (31) days after the end of a state fiscal year, the auditor of state, after reviewing the recommendation of the budget agency, shall transfer an amount from the state general fund to the fund. The total amount transferred under this section must equal the amount by which the year-end state general fund balance for the immediately preceding state fiscal year exceeds ten percent (10%) of the state general fund appropriations for the current state fiscal year.

Sec. 10. In each state fiscal year, the budget agency shall calculate the tax credit percentage that will apply under IC 6-3-3-13 to taxable years ending in that state fiscal year. The tax credit percentage for a state fiscal year must equal the percentage

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determined under STEP THREE of the following formula:

STEP ONE: Determine the amount transferred in the state fiscal year to the fund under section 9 of this chapter.

STEP TWO: Determine the total adjusted gross income taxes paid for the previous taxable year by all resident individuals filing a single or joint adjusted gross income tax return.

STEP THREE: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) the STEP TWO amount.

The budget agency shall certify the tax credit percentage to the department of state revenue.

Sec. 11. The department of state revenue shall report to the auditor of state and the budget agency the total amount of credits granted under IC 6-3-3-13 on returns processed by the department of state revenue. The information shall be reported in the manner and on the schedule specified by the budget agency.

Sec. 12. The auditor of state shall transfer amounts equal to the credits granted under IC 6-3-3-13 from the fund to the state general fund on the schedule designated by the budget agency.

Sec. 13. There is continuously appropriated a sufficient amount from the fund and the state general fund to make the transfers required by this chapter.

SECTION 2. IC 6-3-3-13 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 13. (a) An individual who qualifies as a resident (as defined in IC 4-10-22-5) in a taxable year is entitled to a credit against the individual's adjusted gross income tax liability imposed for the taxable year.

(b) The amount of the credit is equal to the tax credit percentage determined for the taxable year under IC 4-10-22-10 multiplied by the total adjusted gross income tax paid for the previous taxable year by the taxpayer, and the taxpayer's spouse in the case of a joint return, as shown on the return filed for the previous taxable year. If an individual:

(1) has a filing status that is different for the taxable year the credit is claimed from the filing status for the previous taxable year; or

(2) filed a joint return both years but filed with a different spouse for each taxable year;

the department shall allow the taxpayer to combine or allocate the total adjusted gross income tax paid for the previous taxable year in the manner prescribed by the department.

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- 1 (c) A credit granted under this section shall be applied after the
2 application of all other allowable deductions and credits.
- 3 (d) If the credit determined for a taxpayer in a taxable year
4 exceeds the taxpayer's state tax liability for that taxable year, the
5 taxpayer is entitled to a refund of the excess. A taxpayer is not
6 entitled to a carryforward or carryback of any unused credit.
- 7 (e) To qualify for a credit, an individual must apply for the
8 credit in the manner prescribed by the department. The individual
9 must provide the department with the information that the
10 department determines necessary to determine the individual's
11 eligibility for the credit.

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COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 470, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 9, delete "9" and insert "8".

Page 1, line 10, delete "general revenue" and insert "**state general fund**".

Page 1, line 12, delete "any general revenue fund" and insert "**the state general fund**".

Page 1, line 14, delete "between general revenue funds and transfers".

Page 2, line 3, delete "general revenue fund" and insert "**state general fund**".

Page 2, delete lines 4 through 9 and insert "**the state general fund, excluding any dedicated account within the state general fund and excluding the Medicaid contingency and reserve account of the state general fund (IC 4-12-1-15.5).**".

Page 2, line 11, delete "an".

Page 2, line 11, delete "county".

Page 2, delete lines 18 through 22.

Page 2, line 23, delete "9." and insert "8".

Page 2, line 26, after ";" insert "and".

Page 2, line 28, delete "; and" and insert ".".

Page 2, delete lines 29 through 30.

Page 2, line 33, delete "10" and insert "9".

Page 2, line 40, delete "10. Not" and insert "**9. Unless the governor issues an executive order specifying that a tax credit should not be granted under IC 6-3-3-13, not**".

Page 3, line 1, delete "one (1) or more of the general revenue funds" and insert "**the state general fund**".

Page 3, line 3, delete "state's year-end general revenue balances" and insert "**year-end state general fund balance**".

Page 3, line 4, delete "exceed, in the aggregate," and insert "**exceeds**".

Page 3, line 5, delete "general revenue" and insert "**state general fund**".

Page 3, line 6, delete "The part of the total amount to be".

Page 3, delete lines 7 through 8.

Page 3, line 9, delete "11." and insert "**10.**".

Page 3, line 9, delete "department of state" and insert "**budget**".

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agency".

Page 3, delete line 10.

Page 3, line 11, delete "reduction amount" and insert "**credit percentage**".

Page 3, line 13, delete "reduction amount" and insert "**credit percentage**".

Page 3, line 13, after "the" delete "amount" and insert "**percentage**".

Page 3, line 16, delete "10" and insert "**9**".

Page 3, delete lines 17 through 36, begin a new line block indented and insert:

"STEP TWO: Determine the total adjusted gross income taxes paid for the previous taxable year by all resident individuals filing a single or joint adjusted gross income tax return.

STEP THREE: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) the STEP TWO amount."

Page 3, line 37, delete "reduction amount" and insert "**credit percentage**".

Page 3, line 39, delete "12." and insert "**11.**".

Page 4, line 2, delete "13." and insert "**12.**".

Page 4, line 3, delete "a state revenue" and insert "**the state general**".

Page 4, line 5, delete "14." and insert "**13.**".

Page 4, line 6, delete "general revenue funds" and insert "**state general fund**".

Page 4, line 14, delete "reduction".

Page 4, line 15, delete "amount" and insert "**credit percentage**".

Page 4, line 15, delete "4-10-22-11" and insert "**4-10-22-10**".

Page 4, line 16, delete "the following:" and insert "**the total adjusted gross income tax paid for the previous taxable year by the taxpayer, and the taxpayer's spouse in the case of a joint return, as shown on the return filed for the previous taxable year. If an individual:**

(1) has a filing status that is different for the taxable year the credit is claimed from the filing status for the previous taxable year; or

(2) filed a joint return both years but filed with a different spouse for each taxable year;

the department shall allow the taxpayer to combine or allocate the

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total adjusted gross income tax paid for the previous taxable year in the manner prescribed by the department."

Page 4, delete lines 17 through 21.

and when so amended that said bill do pass.

(Reference is to SB 470 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 10, Nays 1.

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